

Electronically Recorded

Official Public Records

Tarrant County Texas

2008 Oct 23 10:41 AM

Fee: \$ 44.00

Submitter: SIMPLIFILE

D208403835

8 Pages

Suzanne Henderson

Suzanne Henderson

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up
With 640 Acres Pooling Provision

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 15th day of October, 2008, between NHC-TX101, LLC, A DELAWARE LIMITED LIABILITY COMPANY, 6991 E Camelback Rd, Suite B310, Scottsdale Az 85251 as Lessor, and PALOMA BARNETT, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6066 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

Being a 18.144 acre tract of land, more or less, situated in the C T Lane Survey, A-952, and being all of Tract 1A of the C. T. Lane Survey, A-952, an Addition to the City of Arlington, Tarrant County, Texas and being more particularly described by metes and bounds in Exhibit "A" of that Warranty Deed dated July 10, 2006 from NATHAN BRUCE TAYLOR and CARRIE JANE TAYLOR, HUSBAND AND WIFE to NHC-TX101, LLC, A DELAWARE LIMITED LIABILITY COMPANY and recorded in Instrument Number D206222017 of the Official Public Records of Tarrant County, Texas.

in the County of TARRANT, State of TEXAS, containing 18.144 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25.00%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25.00%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee, provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying

D208403835

WLA

quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

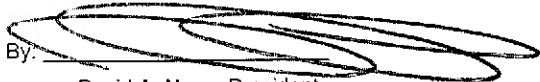
18. It is agreed between the Lessor and the Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

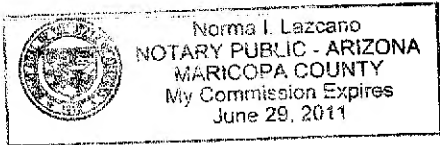
NHC-TX101, LLC
By: NRVC-GE Holding Co., LLC, its Sole Member
By: National RV Communities, LLC, Its Sole Member


By: 
David A. Napp, President

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on the 15 day of October 2008 by
David A. Napp, as President of National RV Communities, LLC, a state of Delaware limited liability company, as sole member of
NRVC-GE Holding Co., LLC, a state of Delaware limited liability company, on behalf of NHC-TX101, LLC, a state of Delaware limited
limited liability company.




Notary Public, State of ~~TEXAS~~ Arizona
Notary's Printed Name:
Norma Lazcano
Commission Expires: 6/29/2011

RECORDING INFORMATION
STATE OF TEXAS

County of TARRANT

This instrument was filed for record on the _____ day of _____, 20____, at _____ o'clock ____ M., and duly
recorded in

Instrument Number:: _____, of the _____ records of this office.

By _____

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED OCTOBER 4, 15th, 2008, BETWEEN, NHC-TX101, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AS LESSOR, AND PALOMA BARNETT, LLC, A(N) Delaware LIMITED LIABILITY COMPANY, AS LESSEE, COVERING APPROXIMATELY 18.144 ACRES OF LAND, MORE OR LESS, IN TARRANT COUNTY, TEXAS.

THE PROVISIONS OF THIS ADDENDUM SUPERSEDE ANY PROVISIONS TO THE CONTRARY CONTAINED IN THE LEASE TO WHICH THIS ADDENDUM IS ATTACHED.

1. Royalty. Notwithstanding anything to the contrary stated in said Lease, the royalty payable on all oil, gas and other substances produced and saved hereunder shall be 25.00% of the gross revenues, which shall be based on the highest of (a) the market value at the point of sale, (b) the gross price actually received by Lessee, or (c) the gross price actually received by Lessee's subsidiary or affiliate; provided, when oil, gas or other substances are used by Lessee off said Leased Premises or in the manufacture of gasoline or other products, Lessee shall pay Lessor 25.00% of the market value, at the mouth of the well, of such substances. Lessee will distribute to Lessor its royalty payments on production from a particular well (as well as appropriate reports as to the quantities of oil and gas produced for each applicable time period, and the computation of the royalty payment) not later than 120 days after the first month of production. Thereafter, Lessee must disburse to Lessor royalty payments on production (and the reports and computation) by the last day on the second month after the month of production.
2. Bonus. The bonus payable to Lessee upon execution shall be \$22,000.00 per acre. If Lessee does not pay Lessor the bonus payment amount within the earlier of (a) fourteen (14) days of the approval by Lessee of the title of the Leased Premises; or (b) sixty (60) days after the signing of this Lease, then this Lease shall be rendered null and void and of no legal effect whatsoever.
3. Shut-in Well and Royalty. The shut-in royalty shall be \$65.00 per acre. In the event of a "shut-in" well situation being created on the Lessor's property, the primary term of the lease shall not be extended more than 3 years from the end of the primary term merely due to the existence of a "shut-in" well, although the lease may be extended by other provisions of the oil and gas lease.
4. Notice of Pooling. The Lessee or lease holder shall give Lessor notice if the lease holder intends to place a part of the Lessor's property in a "pooled drilling unit". The notice shall include a plat of the drilling unit and the names of the other landowners to be included in said drilling unit.
5. Lessee's Operations Restricted to Underground Depth of at Least 100'. Notwithstanding any provision herein to the contrary, no surface operations of any kind will be conducted on the "Leased Premises" nor other right of access to (or on) the surface of the Leased Premises shall be allowed, however, Lessee may produce oil or gas from the Leased Premises by directional drilling from a surface location on other lands but, notwithstanding any other provisions of this Lease, Lessee agrees that the subsurface easement shall commence at and continue below the depth of one hundred feet (100'). In addition, Lessor will not allow seismic operations to be conducted on the "Leased Premises".

6. Mineral Rights Covered. Notwithstanding any other provision hereof, this Lease covers the sub-surface mineral rights for only oil and gas, all other minerals being reserved to Lessor including, without limitation, bromide, coal and lignite. The term "oil and gas" means oil, gas and other liquid and gaseous hydrocarbons produced through a well bore. Lessee shall not have the right to remove any timber, soil, iron ore or other materials from Lessor's property for use on adjoining lands or other lands leased by Lessee.

7. Indemnification. Lessee agrees to indemnify, protect and hold Lessor (and surface owner, if different from Lessor) harmless of and from any and all claims, demands, losses and causes of action or suits for damages arising out of injury to persons (including death) and injury or damage to or loss of any property or improvements caused by operations conducted hereunder by Lessee, its agents, employees, servants, contractors or any person acting under its direction or contract. Further, neither Lessor nor surface owner shall ever be liable for any claims, demands, costs, expenses, damages, losses and causes of action or suits for damages because of injury to persons or property arising out of acts or omissions of Lessee, its agents, employees, servants, contractors, or any person acting under its direction and control in the conduct of operations hereunder on said lands. If Lessor becomes legally obligated to investigate, remove, clean up, remediate or otherwise expend funds as a result of the Lessee's activities under this Lease, Lessee agrees that it will promptly perform such investigation, clean up or remediation activities at its sole cost, risk and expense upon written request from the Lessor.

8. Due Date for Payments. Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than one hundred twenty (120) days after the end of the month following first delivery of gas from the well into the pipeline. Thereafter, Lessee must disburse or cause to be disbursed to Lessor by the last day of each month its royalty on production for which Lessee received payment in the preceding month, but in no event shall royalty be paid more than sixty (60) days after the last day of the month of production. If not paid when due, Lessor's royalty shall bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due shall not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

9. No Expense Offsets Against Payments. Notwithstanding any provision in the Lease to the contrary, Payments due Lessor hereunder shall never bear or be charged with, either directly or indirectly, any part of the costs or expenses of production, operation, separation, gathering, dehydration, compression, trucking, processing, treatment, storage or marketing of the oil and gas produced from the Leased Premises or lands pooled therewith nor any part of the costs of construction, operation or depreciation of any plant or other facilities or equipment used in the handling of oil and gas produced from the Leased Premises or lands pooled therewith. In no event shall Lessor's payments be calculated based upon a price that is less than the price received by Lessee from an unaffiliated third party purchaser.

10. Construction. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed by and between the parties hereto the typewritten and the handwritten provisions and terms herein shall in all cases where in conflict govern and control over the provisions of the printed form of this Lease.

11. No Warranties. Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full



opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures.

12. Insurance. Lessee shall procure and maintain, throughout the term of this Lease (and two (2) years after the expiration of the termination hereof, if the insurance obtained is a "claims made" policy), commercial general liability insurance, with a specific "pollution" coverage endorsement or rider, with such coverages, limits and deductibles as are acceptable to Lessor, in its reasonable discretion. Lessor, and the Leased Premises, shall be identified in said insurance policies as an additional insured and as a parcel from which Lessee's activities are subject to the coverage. Lessee shall provide to Lessor throughout the term of this Lease (and two (2) years after the expiration of the termination hereof, if the insurance obtained is a "claims made" policy), such certificates from the insurance providers acceptable to Lessor, showing such coverages as are required hereby and otherwise required by Lessor in its reasonable discretion, with a commitment by such providers that the insurance coverage evidenced by such certificates shall not be modified or cancelled without written notice to Lessor of not less than thirty (30) days.

A. To protect Lessor against liability, loss or expense arising from damage to property or injury to any person arising out of, in connection with or resulting from the exercise of its rights and privileges under this Lease, Lessee agrees during the term of the Lease to carry, at its own expense, with insurance companies authorized to do business in the State of Texas, the following minimum insurance coverages. It is expressly understood and agreed that all such insurance required of Lessee by this Paragraph shall be primary to and non-contributory with other insurance issued directly to Lessor.

- i. Workers' Compensation and Employers Liability Insurance with limits of \$500,000 to cover and include any liability (up to the maximum recoverable under applicable statutes) under or for the workers' compensation laws of the State of Texas.
- ii. Automobile Liability covering "any auto" or "all owned autos" with a minimum combined single limit of \$1,000,000 for Bodily Injury and Property Damage and including coverage for all owned, non-owned and leased vehicles.
- iii. Commercial General Liability Insurance, insuring the indemnify from Lessee to Lessor set forth in this Lease, with minimum Bodily Injury, Sickness or Death limits of \$1,000,000 each person and \$1,000,000 per occurrence and Property Loss or Damage limits of \$1,000,000 per occurrence and \$2,000,000 aggregate operations, protective, and products (including completed operations);
- iv. Umbrella Liability Insurance with a minimum of \$5,000,000 per occurrence, which covers all underlying coverages required in paragraphs (a), (1), (2) and (3).
- v. Pollution and Clean-up Liability Insurance with a minimum limit of \$10,000,000.
- vi. Well Control and Extra Expense Insurance with a minimum limit of \$10,000,000

B. All insurance policies shall:

- i. Provide for thirty (30) days prior written notice to Lessor of the cancellation, expiration or reduction of coverage under, or a material change in, any policy.
 - ii. Contain waivers of subrogation (except on Workers' Compensation Insurance) and right of recovery by Lessee's insurance underwriters against Lessor for injuries, death, losses or damages covered by those policies;
 - iii. Secure for Lessor the status of additional insured under the policy; and be written by an insurance company rated A-VIII by A. M. Best.
- C. Upon written request, Lessee shall furnish Lessor with Lessee's certificates of insurance evidencing the above-described coverages prior to conducting any operations under this lease, which certificate(s) must show the names of all of Lessee's insurance companies, all policy numbers, effective and expiration dates of all insurance policies and all limits of liability. The certificate(s) of insurance must be modified to require thirty (30) days notice of cancellation to Lessor. Copies of the Waiver of Subrogation and additional insured endorsements showing Lessor must be attached to the certificate(s).

13. Force Majeure. If Lessee, after effort is made in good faith, is prevented from complying with any express or implied covenant of this Lease, from conducting drilling or reworking operations or from producing oil or gas by reason of rebellion, riots, acts of God, inability to obtain drilling permits(s), or any rule or regulation of governmental authority, then while so prevented Lessee's obligation to comply with the covenant shall be suspended, Lessee shall not be liable in damages for failure to comply therewith, and this Lease shall be extended while and so long as Lessee is so prevented; provided, however, that nothing contained in this Lease shall be construed to suspend the payment of royalty payments (including shut-in royalties), and further provided that this Lease shall in no event be extended under the terms of this paragraph for a period longer than two (2) years. None of the provisions of this paragraph shall ever be or become effective and applicable unless Lessee shall, within a reasonable time (not to exceed sixty (60) days in any event) after occurrence of the claimed event above referred to, notify the Lessor, in writing, of such occurrence with full particulars thereof.

14. Notices. All notices required to be given under the terms of this Lease shall be given to the following persons who are designated Lessor's and Lessee's respective agents:

15. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations. Except that, Lessor agrees that Lessee shall have the right of ingress and egress for the purposes of conducting geological and geophysical surveys and/or the laying or flowlines or pipelines as necessary. Prior to laying any flowlines or pipelines under this Lease, Lessee shall advise Lessor of Lessee's intentions, and said parties shall mutually agree upon the location of said flowlines or pipelines, taking into consideration the surface use by Lessor and Lessee's needs. Lessors consent shall not be unreasonably withheld. Lessee agrees to bury all pipelines at least thirty-six inches (36") from the top of the pipe to the surface of the ground. Lessee shall pay Lessor for any damages and will restore the surface to as near its original condition.

TO LESSEE:

Paloma Barnett, L.L.C.
1021 Main Street, Suite 2600
Houston, Texas 77002
ATTENTION: Land Department

TO LESSOR:

NHC-TX101, LLC
c/o Carefree Property Management, LLC
6991 East Camelback Road
Suite B-310
Scottsdale, Arizona 85251

Either party hereto may from time to time designate in writing a different address or agent for the giving of any notice hereunder.

Lessor:

NHC-TX101, LLC, a Delaware limited liability company

By: NRVC-GE Holding Co., LLC, a Delaware limited liability company

Its: Sole Member

By: National RV Communities, L.L.C., a Delaware limited liability company

Its: Sole Member

By:

David A. Napp

Its:

CEO

Lessee:

PALOMA BARNETT, LLC, a(n) Delaware
limited liability company

By:

Name:

MARK J. GABRISCH
VICE PRESIDENT, LAND

Its: